

**Town of Richwood  
Richwood, Louisiana  
Annual Financial Report  
As of and for the Year Ended June 30, 2004**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3/16/05

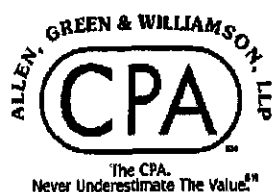
**Town of Richwood  
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## INDEPENDENT AUDITORS' REPORT

Honorable Edward L. Harris, Mayor,  
and Members of the Board of Aldermen  
Town of Richwood  
Richwood, Louisiana

**Basic Financial Statements** We have audited the accompanying *financial statements* of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Richwood as of and for the year ended June 30, 2004, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the *financial statements* referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 21, 2005, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

**Required Supplemental Information** The Management's Discussion and Analysis as listed in the table of contents, is not a required part of the *basic financial statements* but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

**Supplemental Information** Our audit was conducted for the purpose of forming opinions on the *financial statements* that collectively comprise the Town's basic financial statements. The accompanying information identified in the table of contents as supplemental information is presented for purposes of additional analysis and is not a required part of the *basic financial statements*. Such information has been subjected to the auditing procedures applied in the audit of the *basic financial statements* and, in our opinion, is fairly stated, in all material respects, in relation to the *basic financial statements* taken as a whole.

Also, the accompanying other information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements of the Town. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Allen, Green + Williamson, LLP*

ALLEN, GREEN & WILLIAMSON, LLP  
Monroe, Louisiana  
January 21, 2005

**REQUIRED SUPPLEMENTAL INFORMATION:**

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS (MD&A)**

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**Town of Richwood**  
**Management's Discussion and Analysis (MD&A)**

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Our discussion and analysis of the Town of Richwood's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2004.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the Town has elected to exclude the information in this report. Subsequent reports will include the information.

**FINANCIAL HIGHLIGHTS** Our financial statements provide these insights into the results of this year's operations:

Governmental activities reported an increase in net assets of \$85,022 whereas business-type activities reported a decrease of \$(19,507). The increase in the governmental funds was due mainly to a write-off of old outstanding accounts payable of approximately \$90,000.

Total spending for our governmental activities was \$938,535. Most of the Town's property and sales taxes were used to support the net cost (after deducting restricted grants and fees charged to users) of these three areas: general and administrative of \$404,377, police department of \$326,246 and health and welfare of \$3,476.

**USING THIS ANNUAL REPORT**

The Town's annual report consists of a series of financial statements that show information for the Town as a whole, and its funds. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. For our governmental activities, the fund financial statements tell how we financed our services in the short-term as well as what remains for future spending. Fund statements also may give you some insights into the Town's overall financial health. Fund financial statements also report the Town's operations in more detail than the government-wide financial statements by providing information about the Town's most significant funds – the General Fund and the Sewer Enterprise Fund.

The following chart reflects the information included in this annual report.

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**Town of Richwood  
Management's Discussion and Analysis (MD&A)**

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***Financial Section***

**Required Supplemental Information**

Management's Discussion & Analysis (MD&A)

**Basic Financial Statements**

**Government-wide  
Financial Statements**



**Fund  
Financial Statements**

**Notes to the Basic Financial Statements**

**Supplemental Information**

Schedule of Compensation Paid Mayor and Aldermen

Other Reports Required by Government Auditing Standards and  
OMB Circular No. A-133

**Other Information**

Summary Schedule of Prior Audit Findings  
Corrective Action Plan for Current-Year Findings

Our auditor has provided assurance in the independent auditor's report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the Required Supplemental Information, the Supplemental Information and Other Information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts of this report.



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**Town of Richwood**  
**Management's Discussion and Analysis (MD&A)**

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**Reporting the Town as a Whole**

***The Statement of Net Assets and the Statement of Activities***

Our analysis of the Town as a whole begins with the government-wide financial statements. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the Town's financial statements, report information about the Town as a whole and its activities in a way that helps answer this question. We prepare these statements to include *all* assets and liabilities, using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's *net assets* – the difference between assets and liabilities, as reported in the Statement of Net Assets – as one way to measure the Town's financial health, or *financial position*. Over time, *increases or decreases* in the Town's net assets – as reported in the Statement of Activities – are one indicator of whether its *financial health* is improving or deteriorating. The relationship between revenues and expenses is the Town's *operating results*. However, the Town's goal is to provide services to our citizens, not to generate profits as commercial entities do. One must consider other nonfinancial factors, such as the quality of police protection, the conditions of the Town's roads, and the quality of water, sewer and sanitation systems to assess the *overall health* of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities:

Governmental Activities - Most of the Town's basic services are reported here, including the police and general administration. Property taxes, franchise fees, licenses and fees, fines and forfeitures, and state and federal grants finance most of these activities.

Business-type Activities - The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's sewer and sanitation systems are reported here.

**Reporting the Town's Most Significant Funds**

***Fund Financial Statements***

The Town's fund financial statements provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by State law. However, the Town establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds – governmental and proprietary – use different accounting approaches:

Governmental funds – Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Town's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We

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**Town of Richwood**  
**Management's Discussion and Analysis (MD&A)**

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describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in the reconciliations (Statements D and F).

Proprietary funds - When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Town's utility enterprise fund (a component of proprietary funds) are the same as business-type activities we report in the government-wide financial statements but provide more detail and additional information, such as cash flows, for proprietary funds.

### THE TOWN AS A WHOLE

Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental and business-type activities.

**Table 1**  
**Net Assets**  
**June 30, 2004**

|  | <u>Governmental Activities</u><br><u>2004</u> | <u>Business-type Activities</u><br><u>2004</u> | <u>Total</u><br><u>2004</u> |
|--|---|--|-----------------------------|
| Current and other assets                   | \$ 56,112                                     | \$ 28,661                                      | \$ 84,773                   |
| Capital assets                             | <u>91,645</u>                                 | <u>822,386</u>                                 | <u>914,031</u>              |
| Total assets                               | <u>147,757</u>                                | <u>851,047</u>                                 | <u>998,804</u>              |
| Current and other liabilities              | 285,071                                       | 508,121  | 793,192                     |
| Long-term liabilities                      | <u>32,316</u>                                 | <u>242,354</u>                                 | <u>274,670</u>              |
|  | <u>317,387</u>                                | <u>750,475</u>                                 | <u>1,067,862</u>            |
| Net assets                                 |   |  |                             |
| Invested in capital assets,<br>net of debt | 59,329  | 580,032  | 639,361                     |
| Unrestricted                               | <u>(228,959)</u>                              | <u>(479,460)</u>                               | <u>(708,419)</u>            |
| Total net assets                           | <u>\$ (169,630)</u>                           | <u>\$ 100,572</u>                              | <u>\$ (69,058)</u>          |

Net assets of the Town's governmental activities increased by \$85,022. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$(228,959) at the end of this year.

The net assets of our business-type activities decreased \$19,507 in 2004.

**Town of Richwood**  
**Management's Discussion and Analysis (MD&A)**

**Table 2**  
**Changes in Net Assets**  
**For the Years Ended June 30, 2004**

|   | <u>Governmental Activities</u><br><u>2004</u> | <u>Business-type Activities</u><br><u>2004</u> | <u>Total</u><br><u>2004</u> |
|---|---|--|-----------------------------|
| <b>Revenues:</b>  |   |  |                             |
| Program revenues  |   |  |                             |
| Charges for services                                      | \$ 0  | \$214,204                                      | \$ 214,204                  |
| Operating grants and contributions                        | 194,159                                       | 0  | 194,159                     |
| General revenues  |   |  |                             |
| Property taxes  | 61,404  | 0  | 61,404                      |
| Sales tax   | 166,443                                       | 0  | 166,443                     |
| State revenue   | 5,100   | 0  | 5,100                       |
| Beer tax  | 9,537   | 0  | 9,537                       |
| Licenses and permits                                      | 44,154  | 0  | 44,154                      |
| Sewer, Garbage & Other Fees                               | 124,573                                       | 0  | 124,573                     |
| Miscellaneous   | <u>300,446</u>                                | <u>0</u>                                       | <u>300,446</u>              |
| <b>Total Revenues</b>                                     | <u>905,816</u>                                | <u>214,204</u>                                 | <u>1,120,020</u>            |
| <b>Functions/Program Expenses:</b>                        |   |  |                             |
| Governmental Activities                                   |   |  |                             |
| General and administrative                                | 523,633                                       | 0  | 523,633                     |
| Police Department   | 326,246                                       | 0  | 326,246                     |
| Health & Welfare  | 78,379  | 0  | 78,379                      |
| Interest Expense  | 10,277  | 0  | 10,277                      |
| Business-type Activities                                  |   |  |                             |
| Utility Enterprise  | <u>0</u>                                      | <u>115,970</u>                                 | <u>115,970</u>              |
| <b>Total Functions/Program Expenses</b>                   | <u>938,535</u>                                | <u>115,970</u>                                 | <u>1,054,505</u>            |
| <b>Increase (decrease) in net assets before transfers</b> | (32,719)                                      | 98,234   | 65,515                      |
| <b>Transfers</b>  | <u>117,741</u>                                | <u>(117,741)</u>                               | <u>0</u>                    |
| <b>Increase (decrease) in net assets</b>                  | 85,022  | (19,507)                                       | 65,515                      |
| <b>Net assets - beginning</b>                             | <u>(254,652)</u>                              | <u>120,079</u>                                 | <u>(134,573)</u>            |
| <b>Net assets, ending</b>                                 | <u>\$ (169,630)</u>                           | <u>\$ 100,572</u>                              | <u>\$ (69,058)</u>          |

***Governmental Activities***

The cost of all governmental activities this year was \$938,535. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through town taxes was only \$744,376 because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. Transfers from the Sewer Enterprise Fund of \$117,741 accounted for a significant part of the remaining revenue.

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**Town of Richwood**  
**Management's Discussion and Analysis (MD&A)**

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***Business-type Activities***

Revenues of the Town's business-type activities (see Table 2) increased by 13 percent (\$214,204 in 2004 compared to \$189,836 in 2003) and expenses decreased by 32 percent (\$99,965 in 2004 compared to \$146,434 in 2003). The factors driving these results include:

The Town sewer system saw its operating revenues increase 13 percent or \$24,968, and operating expenses decreased 32 percent or \$46,469. The decrease in expenses was mainly due to a decrease in sewer fees billed by the City of Monroe. Sewer billing from the City of Monroe decreased because the bills are now based on actual consumption. 2003 billings were based on estimates.

**THE TOWN'S FUNDS**

As the Town completed the year, its governmental funds reported a combined fund deficit of \$(228,959) which is an increase of \$96,624 in fund balance from last year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Budgeted revenues exceeded actual revenues by \$766. Several revenues reflected significant variances from the budget but the overall variance was not significant.

Overall actual expenditures exceeded budgeted expenditures by \$17,880. Several expenditures reflected significant variances from the budget but the overall variance was not significant.

**CAPITAL ASSET**

**Capital Assets** At June 30, 2004, the Town had invested in the following capital assets; net of accumulated depreciation:

|                         | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u>     |
|-------------------------|--------------------------------|---------------------------------|------------------|
|                         | <u>2004</u>                    | <u>2004</u>                     | <u>2004</u>      |
| Land                    | \$ 5,000                       | \$ 0                            | \$ 5,000         |
| Sewer System            | 0                              | 822,386                         | 822,386          |
| Furniture and equipment | 52,295                         | 0                               | 52,295           |
| Vehicles                | <u>34,350</u>                  | <u>0</u>                        | <u>34,350</u>    |
| Totals                  | <u>\$91,645</u>                | <u>\$822,386</u>                | <u>\$914,031</u> |

**DEBT ADMINISTRATION** At June 30, 2004, the Town had \$242,354 in bonds payable outstanding and \$32,316 in capital leases payable. More information on long-term debt is presented in the notes to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS** Our elected and appointed officials and citizens consider many factors when setting the Town's budget and tax rates. One of the most important factors affecting the budget is our sales and franchise tax collections. Approximately, 33% of total revenues in the general fund is sales and franchise tax. We have budgeted very little change in franchise and ad valorem tax revenues for the year ending June 30, 2005.

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**Town of Richwood  
Management's Discussion and Analysis (MD&A)**

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**CONTACTING THE TOWN'S FINANCIAL MANAGEMENT** Our financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Charissa A. Holmes, Clerk, at the Town of Richwood, 5130 Brown Road, Richwood, Louisiana 71202-7004, telephone number (318) 322-2104.

**Town of Richwood**

**BASIC FINANCIAL STATEMENTS:**  
**GOVERNMENT-WIDE**  
**FINANCIAL STATEMENTS (GWFS)**



**TOWN OF RICHWOOD**  
**STATEMENT OF NET ASSETS**  
**June 30, 2004**

**Statement A**

|   | <u>GOVERNMENTAL</u><br><u>ACTIVITIES</u> | <u>BUSINESS-TYPE</u><br><u>ACTIVITIES</u> | <u>TOTAL</u>       |
|---|--|---|--------------------|
| <b>ASSETS</b>                                   |  |   |                    |
| Receivables (net)                               | 61,029                                   | 23,744                                    | 84,773             |
| Internal balances                               | (4,917)                                  | 4,917                                     | 0                  |
| Capital assets, net                             | <u>91,645</u>                            | <u>822,386</u>                            | <u>914,031</u>     |
| <b>TOTAL ASSETS</b>                             | <u>147,757</u>                           | <u>851,047</u>                            | <u>998,804</u>     |
| <b>LIABILITIES</b>                              |  |   |                    |
| Cash overdraft                                  | 2,196                                    | 2,301                                     | 4,497              |
| Accounts, salaries and other payables           | 134,320                                  | 505,820                                   | 640,140            |
| Accrued liabilities                             | 148,555                                  | 0   | 148,555            |
| Long term liabilities                           |  |   |                    |
| Due within one year                             | 14,275                                   | 15,069                                    | 29,344             |
| Due in more than one year                       | <u>18,041</u>                            | <u>227,285</u>                            | <u>245,326</u>     |
| <b>TOTAL LIABILITIES</b>                        | <u>317,387</u>                           | <u>750,475</u>                            | <u>1,067,862</u>   |
| <b>NET ASSETS</b>                               |  |   |                    |
| Invested in capital assets, net of related debt | 59,329                                   | 580,032                                   | 639,361            |
| Unrestricted                                    | <u>(228,959)</u>                         | <u>(479,460)</u>                          | <u>(708,419)</u>   |
| <b>TOTAL NET ASSETS</b>                         | <u>\$ (169,630)</u>                      | <u>\$ 100,572</u>                         | <u>\$ (69,058)</u> |

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.



**TOWN OF RICHWOOD**

**STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2004**

| FUNCTIONS/PROGRAMS                    | PROGRAM REVENUES    |                         |  |
|---------------------------------------|---------------------|-------------------------|--|
|                                       | EXPENSES            | CHARGES FOR<br>SERVICES | OPERATING<br>GRANTS AND<br>CONTRIBUTIONS |
| <b>Governmental Activities:</b>       |                     |                         |  |
| <i>General and administrative</i>     | \$ 523,633          | \$ 0                    | \$ 119,256                               |
| Police Department                     | 326,246             | 0                       | 0  |
| Health and welfare                    | 78,379              |                         | 74,903                                   |
| Interest expense                      | 10,277              |                         |  |
| <b>Total Governmental Activities</b>  | <u>938,535</u>      | <u>0</u>                | <u>194,159</u>                           |
| <b>Business-Type Activities:</b>      |                     |                         |  |
| Utility Enterprise                    | 115,970             | 214,204                 | 0  |
| <b>Total Business-Type Activities</b> | <u>115,970</u>      | <u>214,204</u>          | <u>0</u>                                 |
| <b>Total</b>                          | <u>\$ 1,054,505</u> | <u>\$ 214,204</u>       | <u>\$ 194,159</u>                        |

General revenues:

    Taxes:

        Property taxes, levied for utility enterprise

        Sales tax revenue

        State revenue

        Beer tax

    Licenses and permits

    Sewer, garbage and other fees

    Miscellaneous

Transfers

    Total general revenues and transfers

Changes in net assets

Net assets - beginning

Net assets - ending

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Statement B

PRIMARY GOVERNMENT

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

| <u>Governmental</u> | <u>Business-Type</u> |                    |
|---------------------|----------------------|--------------------|
| <u>Activities</u>   | <u>Activities</u>    | <u>TOTAL</u>       |
| \$ (404,377)        | \$ 0                 | \$ (404,377)       |
| (326,246)           |                      | (326,246)          |
| (3,476)             |                      | (3,476)            |
| (10,277)            |                      | (10,277)           |
| <u>(744,376)</u>    | <u>0</u>             | <u>(744,376)</u>   |
|                     | 98,234               | 98,234             |
|                     | 98,234               | 98,234             |
| <u>(744,376)</u>    | <u>98,234</u>        | <u>(646,142)</u>   |
| 61,404              |                      | 61,404             |
| 166,443             |                      | 166,443            |
| 5,100               |                      | 5,100              |
| 9,537               |                      | 9,537              |
| 44,154              |                      | 44,154             |
| 124,573             |                      | 124,573            |
| 300,446             |                      | 300,446            |
| 117,741             | (117,741)            | 0                  |
| <u>829,398</u>      | <u>(117,741)</u>     | <u>711,657</u>     |
| 85,022              | (19,507)             | 65,515             |
| <u>(254,652)</u>    | <u>120,079</u>       | <u>(134,573)</u>   |
| <u>\$ (169,630)</u> | <u>\$ 100,572</u>    | <u>\$ (69,058)</u> |

**Town of Richwood**

**BASIC FINANCIAL STATEMENTS:  
FUND FINANCIAL STATEMENTS (FFS)**

**TOWN OF RICHWOOD**  
**GOVERNMENTAL FUNDS**  
**Balance Sheet**  
**June 30, 2004**

**Statement C**

|  | <u>GENERAL</u>       | <u>OTHER<br/>GOVERNMENTAL</u> | <u>TOTAL</u>          |
|--|----------------------|-------------------------------|-----------------------|
| <b>ASSETS</b>                            |                      |                               |                       |
| Cash and cash equivalents                | \$ 0                 | \$ 17,083                     | \$ 17,083             |
| Receivables                              | 33,143               | 27,886                        | 61,029                |
| Interfund receivables                    | <u>21,359</u>        | <u>10,500</u>                 | <u>31,859</u>         |
| <br>TOTAL ASSETS                         | <br><u>54,502</u>    | <br><u>55,469</u>             | <br><u>109,971</u>    |
| <br><b>LIABILITIES AND FUND BALANCES</b> |                      |                               |                       |
| <b>LIABILITIES</b>                       |                      |                               |                       |
| Cash overdraft                           | 19,279               | 0                             | 19,279                |
| Accounts, salaries and other payables    | 231,995              | 50,880                        | 282,875               |
| Interfund payables                       | <u>15,418</u>        | <u>21,358</u>                 | <u>36,776</u>         |
| <br>TOTAL LIABILITIES                    | <br>266,692          | <br>72,238                    | <br>338,930           |
| <br><b>FUND BALANCES:</b>                |                      |                               |                       |
| Unreserved and undesignated              | <u>(212,190)</u>     | <u>(16,769)</u>               | <u>(228,959)</u>      |
| <br>TOTAL LIABILITIES AND FUND BALANCES  | <br><u>\$ 54,502</u> | <br><u>\$ 55,469</u>          | <br><u>\$ 109,971</u> |

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**TOWN OF RICHWOOD**

**Reconciliation of the Governmental Funds  
Balance Sheet to the Statement of Net Assets  
June 30, 2004**

**Statement D**

Total fund balances - governmental funds \$ (228,959)

The cost of capital assets (land, buildings, furniture and equipment and infrastructure ) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Assets includes those capital assets among the assets of the Town as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation expense) to the various programs reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in governmental funds.

|                              |                 |
|------------------------------|-----------------|
| Costs of capital assets      | 180,462         |
| Depreciation expense to date | <u>(88,817)</u> |

91,645

Long-term liabilities applicable to the Police Jury's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long term - are reported in the Statement of Net Assets.

Balances at June 30, 2004 are:

Long-term liabilities

Leases payable

32,316

(32,316)

Net Assets

\$ (169,630)

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**TOWN OF RICHWOOD**

**GOVERNMENTAL FUNDS  
Combined Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
For the Year Ended June 30, 2004**

**Statement E**

|  | <u>GENERAL</u>          | <u>OTHER<br/>GOVERNMENTAL</u> | <u>TOTAL</u>            |
|--|-------------------------|-------------------------------|-------------------------|
| <b>REVENUES</b>  |                         |                               |                         |
| Local sources:   |                         |                               |                         |
| Taxes  | \$ 166,443              | \$ 0                          | \$ 166,443              |
| Beer Tax   | 9,537                   | 0                             | 9,537                   |
| Franchise taxes  | 61,404                  | 0                             | 61,404                  |
| Licenses and permits   | 44,154                  | 0                             | 44,154                  |
| Sewer, garbage and other fees                                    | 124,573                 | 0                             | 124,573                 |
| Intergovernmental revenues                                       | 0                       | 199,259                       | 199,259                 |
| Fines and forfeitures  | 0                       | 0                             | 0                       |
| Earnings on investments  | 0                       | 0                             | 0                       |
| Miscellaneous revenues   | <u>283,372</u>          | <u>17,074</u>                 | <u>300,446</u>          |
| <br>Total revenues   | <br><u>689,483</u>      | <br><u>216,333</u>            | <br><u>905,816</u>      |
| <br><b>EXPENDITURES</b>  |                         |                               |                         |
| Current:   |                         |                               |                         |
| General and administrative                                       | 402,452                 | 112,108                       | 514,560                 |
| Police Department  | 311,902                 | 0                             | 311,902                 |
| Health and welfare   | 0                       | 78,379                        | 78,379                  |
| Debt service:  |                         |                               |                         |
| Principal retirement   | 6,922                   | 2,155                         | 9,077                   |
| Interest and bank charges  | 10,153                  | 124                           | 10,277                  |
| Capital outlay   | <u>12,034</u>           | <u>0</u>                      | <u>12,034</u>           |
| <br>Total expenditures   | <br><u>743,463</u>      | <br><u>192,766</u>            | <br><u>936,229</u>      |
| <br><b>EXCESS (Deficiency) OF REVENUES<br/>OVER EXPENDITURES</b> | <br><u>(53,980)</u>     | <br><u>23,567</u>             | <br><u>(30,413)</u>     |
| <br><b>OTHER FINANCING SOURCES (USES)</b>                        |                         |                               |                         |
| Transfers in   | 192,455                 | 800                           | 193,255                 |
| Transfers out  | (59,317)                | (16,197)                      | (75,514)                |
| Proceeds from capital lease                                      | <u>9,296</u>            | <u>0</u>                      | <u>9,296</u>            |
| <br>TOTAL OTHER FINANCING SOURCES (USES)                         | <br><u>142,434</u>      | <br><u>(15,397)</u>           | <br><u>127,037</u>      |
| <br>NET CHANGE IN FUND BALANCES                                  | <br>88,454              | <br>8,170                     | <br>96,624              |
| <br>FUND BALANCES - BEGINNING                                    | <br><u>(300,644)</u>    | <br><u>(24,939)</u>           | <br><u>(325,583)</u>    |
| <br>FUND BALANCES - ENDING                                       | <br><u>\$ (212,190)</u> | <br><u>\$ (16,769)</u>        | <br><u>\$ (228,959)</u> |

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**TOWN OF RICHWOOD**

**Reconciliation of the Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities  
For the Year Ended June 30, 2004**

**Statement F**

|  |    |        |
|--|----|--------|
| Total net change in fund balances - governmental funds | \$ | 96,624 |
|--|----|--------|

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period:

|                 |           |          |
|-----------------|-----------|----------|
| Capital outlays | \$ 12,034 |          |
| Depreciation    | ( 23,417) | (11,383) |

|  |       |
|--|-------|
| Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. | 9,077 |
|--|-------|

|  |                |
|--|----------------|
| Proceeds from capital leases are income in the governmental funds but reduce liabilities in the statement of net assets. | <u>(9,296)</u> |
|--|----------------|

|  |           |               |
|--|-----------|---------------|
| Change in net assets of governmental activities. | <u>\$</u> | <u>85,022</u> |
|--|-----------|---------------|

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**TOWN OF RICHWOOD**  
**GENERAL FUND**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2004**

**Statement G**

|                                      | <u>ORIGINAL<br/>BUDGET</u> | <u>FINAL<br/>BUDGET</u> | <u>ACTUAL</u>       | <u>VARIANCE<br/>FAVORABLE<br/>(UNFAVORABLE)</u> |
|--------------------------------------|----------------------------|-------------------------|---------------------|---|
| BUDGETARY FUND BALANCES, Beginning   | \$ (300,644)               | \$ (300,644)            | \$ (300,644)        | 0   |
| Resources (inflows)                  |                            |                         |                     |   |
| Local sources:                       |                            |                         |                     |   |
| Taxes                                | 300,000                    | 300,000                 | 166,443             | (133,557)                                       |
| Beer Tax                             | 10,000                     | 10,000                  | 9,537               | (463)   |
| Licenses and permits                 | 55,000                     | 55,000                  | 44,154              | (10,846)  |
| Sewer, garbage, and other fees       | 182,000                    | 182,000                 | 124,573             | (57,427)  |
| Franchise taxes                      | 100,000                    | 100,000                 | 61,404              | (38,596)  |
| Miscellaneous revenues               | 145,000                    | 145,000                 | 283,372             | 138,372   |
| Proceeds from capital lease          | 0                          | 0                       | 9,296               | 9,296   |
| Transfers from other funds           | 100,000                    | 100,000                 | 192,455             | 92,455  |
|                                      | <u>591,356</u>             | <u>591,356</u>          | <u>590,590</u>      | <u>(766)</u>                                    |
| Amounts available for appropriations |                            |                         |                     |   |
| Charges to appropriations (outflows) |                            |                         |                     |   |
| Current:                             |                            |                         |                     |   |
| General and administrative           | 479,900                    | 479,900                 | 402,452             | 77,448  |
| Police Department                    | 305,000                    | 305,000                 | 311,902             | (6,902)   |
| Debt service:                        |                            |                         |                     |   |
| Principal retirement                 | 0                          | 0                       | 6,922               | (6,922)   |
| Interest expense                     | 0                          | 0                       | 10,153              | (10,153)  |
| Capital outlay                       | 0                          | 0                       | 12,034              | (12,034)  |
| Transfers                            | 0                          | 0                       | 59,317              | (59,317)  |
|                                      | <u>784,900</u>             | <u>784,900</u>          | <u>802,780</u>      | <u>(17,880)</u>                                 |
| Total charges to appropriations      |                            |                         |                     |   |
| BUDGETARY FUND BALANCES, ENDING      | <u>\$ (193,544)</u>        | <u>\$ (193,544)</u>     | <u>\$ (212,190)</u> | <u>(18,646)</u>                                 |

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.



**TOWN OF RICHWOOD**  
**PROPRIETARY FUND - SEWER ENTERPRISE FUND**  
**Statement of Net Assets**  
**June 30, 2004**

**Statement H**

**ASSETS**

**Current Assets:**

|                       |    |              |
|-----------------------|----|--------------|
| Receivables           | \$ | 23,744       |
| Interfund receivables |    | <u>4,917</u> |

|                      |  |               |
|----------------------|--|---------------|
| Total Current Assets |  | <u>28,661</u> |
|----------------------|--|---------------|

**Non Current Assets:**

|                     |  |                |
|---------------------|--|----------------|
| Capital assets, net |  | <u>822,386</u> |
|---------------------|--|----------------|

|                         |  |                |
|-------------------------|--|----------------|
| Total Noncurrent Assets |  | <u>822,386</u> |
|-------------------------|--|----------------|

|              |  |                |
|--------------|--|----------------|
| TOTAL ASSETS |  | <u>851,047</u> |
|--------------|--|----------------|

**LIABILITIES**

**Current Liabilities:**

|                                       |  |               |
|---------------------------------------|--|---------------|
| Cash overdraft                        |  | 2,301         |
| Accounts, salaries and other payables |  | 505,820       |
| Bonds payable                         |  | <u>15,069</u> |

|                           |  |         |
|---------------------------|--|---------|
| Total Current Liabilities |  | 523,190 |
|---------------------------|--|---------|

**Noncurrent Liabilities**

|               |  |                |
|---------------|--|----------------|
| Bonds payable |  | <u>227,285</u> |
|---------------|--|----------------|

|                   |  |                |
|-------------------|--|----------------|
| TOTAL LIABILITIES |  | <u>750,475</u> |
|-------------------|--|----------------|

**NET ASSETS**

|   |  |                  |
|---|--|------------------|
| Invested in capital assets, net of related debt |  | 580,032          |
| Unrestricted                                    |  | <u>(479,460)</u> |

|                  |    |                |
|------------------|----|----------------|
| TOTAL NET ASSETS | \$ | <u>100,572</u> |
|------------------|----|----------------|

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**TOWN OF RICHWOOD**

**PROPRIETARY FUND - SEWER ENTERPRISE FUND**  
**Statement of Revenues, Expenses,**  
**and Changes in Retained Earnings**  
**For the Year Ended June 30, 2004**

**Statement I**

|  |                       |
|--|-----------------------|
| OPERATING REVENUES                                       |                       |
| Taxes  | \$ 2,600              |
| Fees   | 166,919               |
| Miscellaneous  | <u>44,685</u>         |
| <br>TOTAL OPERATING REVENUES                             | <br><u>214,204</u>    |
| <br>OPERATING EXPENSES                                   |                       |
| Purchase of services                                     | 63,226                |
| Depreciation   | <u>36,739</u>         |
| <br>TOTAL OPERATING EXPENSES                             | <br><u>99,965</u>     |
| <br>Income (loss) before non-operating income (expenses) | <br>114,239           |
| <br>NON-OPERATING INCOME (EXPENSES)                      |                       |
| Interest expense   | <u>(16,005)</u>       |
| <br>INCOME (LOSS) BEFORE TRANSFERS                       | <br><u>98,234</u>     |
| <br>TRANSFERS IN/OUT                                     |                       |
| Transfers in   | 60,047                |
| Transfers out  | <u>(177,788)</u>      |
| <br>Total transfers in/out                               | <br><u>(117,741)</u>  |
| <br>CHANGE IN NET ASSETS                                 | <br>(19,507)          |
| <br>NET ASSETS, BEGINNING                                | <br><u>120,079</u>    |
| <br>NET ASSETS, ENDING                                   | <br><u>\$ 100,572</u> |

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**TOWN OF RICHWOOD**

**PROPRIETARY FUND - SEWER ENTERPRISE FUND**

**Statement of Cash Flows  
For the Year Ended June 30, 2004**

**Statement J**

**CASH FLOW FROM OPERATING ACTIVITIES**

|   |                |
|---|----------------|
| Receipts from customers                           | \$ 178,596     |
| Payments to employees                             | 0              |
| Payments to others                                | (83,558)       |
| Other receipts                                    | <u>50,519</u>  |
| Net cash provided (used) for operating activities | <u>145,557</u> |

**CASH FLOW (USES) FROM NONCAPITAL FINANCING ACTIVITIES:**

|  |                  |
|--|------------------|
| Transfers in   | 60,047           |
| Transfers out  | <u>(177,788)</u> |
| Net cash provided (used) for noncapital financing activities | <u>(117,741)</u> |

**CASH FLOW (USES) FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

|   |                 |
|---|-----------------|
| Acquisition of capital assets   | (200)           |
| Interest paid on bonds  | (16,005)        |
| Principal paid on bonds   | <u>(14,119)</u> |
| Net cash provided (used) for capital and related financing activities | <u>(30,324)</u> |

|  |         |
|--|---------|
| Net increase (decrease) in cash and cash equivalents | (2,508) |
|--|---------|

|                                       |            |
|---------------------------------------|------------|
| CASH AND CASH EQUIVALENTS - BEGINNING | <u>207</u> |
|---------------------------------------|------------|

|                                    |                   |
|------------------------------------|-------------------|
| CASH AND CASH EQUIVALENTS - ENDING | <u>\$ (2,301)</u> |
|------------------------------------|-------------------|

**Reconciliation of operating income (loss) to net cash provided (used) by operating activities:**

|   |                 |
|---|-----------------|
| Operating income (loss)   | \$ 114,239      |
| Adjustments to reconcile operating income to net cash provided (used) for operating activities: |                 |
| Depreciation  | 36,739          |
| (Increase) decrease in accounts receivable  | 11,677          |
| Increase (decrease) in interfund receivables  | 3,234           |
| Increase (decrease) in accounts payable   | <u>(20,332)</u> |

|  |                   |
|--|-------------------|
| Net cash provided (used) by operating activities | <u>\$ 145,557</u> |
|--|-------------------|

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**Town of Richwood**  
**Notes to the Basic Financial Statements**

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**Town of Richwood**  
**Notes to the Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** The accompanying financial statements of the Town of Richwood have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**A. REPORTING ENTITY** The Town of Richwood, Louisiana is located in the southern portion of Ouachita Parish in Northeast Louisiana. The Town was incorporated December 31, 1974 under the provisions of Louisiana Revised Statutes 33:52. The Town operates under a form of government consisting of an elected mayor and a board of alder persons, which has five elected members. The Town provides garbage collection, street maintenance, drainage maintenance, and other health and welfare services, in addition to the administrative services provided to its residents.

As the municipal governing authority, for reporting purposes, the Town of Richwood is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (municipality), (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Town of Richwood for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the municipality to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town.
2. Organizations for which the Town does not appoint a voting majority but are fiscally dependent on the Town.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization were not included because of the nature or significance of the relationship.

As required by generally accepted accounting principles, these financial statements present the Town of Richwood (the primary government). The Town of Richwood has no component units.

Considered in the determination of component units of the reporting entity were the Ouachita Parish Police Jury, Sheriff, Clerk of Court, Assessor, and School Board and the District Attorney and Judges for Ouachita Parish. It was determined that these governmental entities are not component units of the Town of Richwood's reporting entity because they have separately elected governing bodies, are legally separate, and are fiscally independent of the Town of Richwood.

**B. FUNDS** The Town uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

**Town of Richwood**  
**Notes to the Basic Financial Statements**

A fund is a separate accounting entity with a self-balancing set of accounts. The funds used by the Town of Richwood are grouped into two broad fund types and three generic funds as follows:

**Governmental Funds** are used to account for the program and activities of the governmental functions of the Town.

**General fund** – serves as the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

**Proprietary Funds** are used to account for ongoing organizations and activities that are similar to those found in the private sector.

**Enterprise funds** – are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including amortization and depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The proprietary fund of the Town is the sewer fund which accounts for the operations of the sewage system.

Activities accounted for in the Town's proprietary fund follow all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989.

### **C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

**Government-Wide Financial Statements (GWFS)** The Statement of Net Assets and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

The Statement of Net Assets and the Statement of Activities was prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

**Program revenues** Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Allocation of indirect expenses** The Town reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

### **Fund Financial Statements (FFS)**

**Governmental Funds** The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the

**Town of Richwood**  
**Notes to the Basic Financial Statements**

transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due. Compensated absences and claims and judgments are reported in a governmental fund only if the claims are due and payable.

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

**Revenues**

**Ad valorem taxes** are recognized when all applicable eligibility requirements are met and the resources are available.

**Sales taxes** are recognized when the underlying exchange transaction occurs and the resources are available.

**Entitlements and shared revenues** are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

**Other receipts** become measurable and available when cash is received by the Town and are recognized as revenue at that time.

**Expenditures**

**Salaries** are recorded as paid.

**Other Financing Sources (Uses)** Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, et cetera) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

**Operating Revenues and Expenses** Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. BUDGET** The Town adopted a budget for the fiscal year ended June 30, 2004 for the general fund. The Town follows the following procedures in establishing the budgetary data reflected in the financial statements. During the June meeting, the Town Clerk submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. During the June meeting, the budget is legally enacted through passage of an ordinance. The public is invited to attend all meetings. The Town Clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures or expenses of any fund must be approved by the Board of Aldermen. Appropriations lapse at the end of the year. There were no amendments to the original budget.

**Town of Richwood**  
**Notes to the Basic Financial Statements**

Special revenue funds were not budgeted for the year ended June 30, 2004.

**E. ENCUMBRANCES** Accounting under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town of Richwood.

**F. CASH AND CASH EQUIVALENTS** Cash includes amounts in demand deposits, interest bearing demand deposits and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Town may deposit funds in demand deposits, interest-bearing demand deposits, or time deposit accounts with state banks organized under Louisiana law and any other of the United States of America , or under the laws of the United States of America.

Under state law, the Town may also invest in U. S. Government bonds, treasury notes, or certificates. Those with maturities of 90 days or less would be classified as cash equivalents and all others reported as investments.

**G. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES** During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the fund financial statements balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

**H. ELIMINATION AND RECLASSIFICATIONS** In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

**I. SALES TAX** The Town was authorized in 1986 to levy a 2 percent sales base tax for the purpose of providing funds for any lawful corporate purpose.

**J. CAPITAL ASSETS** Capital assets are recorded at either historical cost or estimated historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. The capitalization threshold for equipment is \$500. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

|                                  |    |
|----------------------------------|----|
| Computers and computer equipment | 5  |
| Furniture and equipment          | 10 |
| Vehicles                         | 7  |



**Town of Richwood**  
**Notes to the Basic Financial Statements**

**K. COMPENSATED ABSENCES** Accumulated vacation, sick pay and other employee benefits and pensions are not material and therefore not accrued.

**L. RESTRICTED NET ASSETS** For the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, the unrestricted resources as they are needed.

**M. FUND BALANCES OF FUND FINANCIAL STATEMENTS** Reservations of fund balance represent amounts that are not appropriable for expenditures or legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**N. INTERFUND ACTIVITY** Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/ expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers of the primary government are reported as operating transfers.

Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statement.

**O. USE OF ESTIMATES** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Deficit Fund Balances** The following funds had deficit fund balances at June 30:

|                 | <u>Deficit</u> |
|-----------------|----------------|
| Major Funds     |                |
| General fund    | \$212,190      |
| Non-Major Funds |                |
| Summer Food     | 40,164         |
| LCDBG           | \$ 1,766       |

**Town of Richwood**  
**Notes to the Basic Financial Statements**

The Town is working on a plan to address these deficits.

**NOTE 3 - BUDGET TO GAAP RECONCILIATION**

Sources/inflows of resources:

|  |                  |
|--|------------------|
| Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule  | \$590,590        |
| The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.            | 300,644          |
| Transfers from other funds and proceeds from capital leases are inflows of budgetary resources but are not revenues for financial reporting purposes | <u>(201,751)</u> |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds                              | <u>\$689,483</u> |

Charges to appropriations/outflows

|   |                  |
|---|------------------|
| Actual amounts (budgetary basis) "charges to appropriations" from the budgetary comparison schedule                         | \$802,780        |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes      | <u>(59,317)</u>  |
| Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | <u>\$743,463</u> |

**NOTE 4 - CASH AND CASH EQUIVALENTS** At June 30, 2004, the Town had cash and cash equivalents (book balances) as follows:

|                |                |
|----------------|----------------|
| Cash Overdraft | <u>\$4,497</u> |
|----------------|----------------|

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. The Town has deposit balances (collected bank balances) of \$28,285.61 at June 30, 2004. These deposits are secured from risk by \$28,285.61 of federal deposit insurance (GASB Risk Category 1)

**NOTE 5 - RECEIVABLES** The following is a summary of receivables at June 30, 2004:

|                                   | <u>General</u>   | <u>Other<br/>Governmental</u> | <u>Enterprise</u> | <u>Total</u>     |
|-----------------------------------|------------------|-------------------------------|-------------------|------------------|
| Accounts and Accrued Receivables  |                  |                               |                   |                  |
| Sales Tax                         | \$ 26,141        | \$ 0                          | \$ 0              | \$ 26,141        |
| Franchise Fees                    | 4,784            | 0                             | 0                 | 4,784            |
| Ad Valorem                        | 6                | 0                             | 0                 | 6                |
| User Fees                         | 0                | 0                             | 23,744            | 23,744           |
| Due from other Governmental Units |                  |                               |                   |                  |
| Grant Receivables                 | 0                | 27,886                        | 0                 | 27,886           |
| Other                             | 2,212            | 0                             | 0                 | 2,212            |
| Total                             | <u>\$ 33,143</u> | <u>\$ 27,886</u>              | <u>\$ 23,744</u>  | <u>\$ 84,773</u> |

**Town of Richwood**  
**Notes to the Basic Financial Statements**

The Town expects to collect these balances in full; therefore, no allowance is necessary.

**NOTE 6 - INTERFUND RECEIVABLES/PAYABLES** Interfund receivables and payables include the following:

**Due from/to other funds:**

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u>    |
|------------------------|---------------------|------------------|
| General Fund           | Summer Feeding Fund | \$ 18,359        |
| General Fund           | LCDBG Fund          | 3,000            |
| LCDBG Fund             | General Fund        | 500              |
| Share Grant Fund       | General Fund        | 10,000           |
| Sewer Fund             | General Fund        | 4,917            |
| Total                  |                     | <u>\$ 36,776</u> |

The purpose of the interfund receivables/payables was to pay a bill which was actually to be paid by the general fund.

|                    | <u>Transfers In</u> | <u>Transfers Out</u> |
|--------------------|---------------------|----------------------|
| Transfers In/Out   |                     |                      |
| General            | \$192,455           | \$59,317             |
| Other Governmental | 800                 | 16,197               |
| Sewer Fund         | 60,047              | 177,788              |
| Total              | <u>\$253,302</u>    | <u>\$253,302</u>     |

**NOTE 7 - CAPITAL ASSETS** A schedule of changes in capital assets for the year ended June 30, 2004, follows:

|                            | <u>Beginning<br/>Balance</u> | <u>Additions</u>  | <u>Deletions</u> | <u>Ending<br/>Balance</u> |
|----------------------------|------------------------------|-------------------|------------------|---------------------------|
| Governmental Activities:   |                              |                   |                  |                           |
| Cost                       |                              |                   |                  |                           |
| Land                       | \$ 5,000                     | \$ 0              | \$ 0             | \$ 5,000                  |
| Exhaustible capital assets |                              |                   |                  |                           |
| Buildings                  | 5,000                        | 0                 | 5,000            | 0                         |
| Furniture and equipment    | 101,925                      | 11,234            | 0                | 113,159                   |
| Vehicles                   | 61,503                       | 800               | 0                | 62,303                    |
|                            | <u>173,428</u>               | <u>12,034</u>     | <u>5,000</u>     | <u>180,462</u>            |
| Accumulated Depreciation   |                              |                   |                  |                           |
| Buildings                  | 5,000                        | 0                 | 5,000            | 0                         |
| Furniture and equipment    | 50,798                       | 10,066            | 0                | 60,864                    |
| Vehicles                   | 14,602                       | 13,351            | 0                | 27,953                    |
|                            | <u>70,400</u>                | <u>23,417</u>     | <u>5,000</u>     | <u>88,817</u>             |
| Capital assets, net        | <u>\$103,028</u>             | <u>\$(11,383)</u> | <u>\$ 0</u>      | <u>\$ 91,645</u>          |

**Town of Richwood**  
**Notes to the Basic Financial Statements**

Depreciation expense was charged to governmental activities as follows:

|                            |                  |
|----------------------------|------------------|
| General and administrative | \$ 9,073         |
| Police department          | <u>14,344</u>    |
| Total                      | <u>\$ 23,417</u> |

|                                  | <u>Beginning<br/>Balance</u> | <u>Additions</u>   | <u>Deletions</u> | <u>Ending<br/>Balance</u> |
|----------------------------------|------------------------------|--------------------|------------------|---------------------------|
| <b>Business Type Activities:</b> |                              |                    |                  |                           |
| Cost                             |                              |                    |                  |                           |
| Exhaustible capital assets       |                              |                    |                  |                           |
| Furniture and equipment          |                              |                    |                  |                           |
| (Sewer System)                   | 1,469,547                    | <u>0</u>           | <u>0</u>         | 1,469,547                 |
|                                  | <u>\$1,469,547</u>           | <u>\$ 0</u>        | <u>\$ 0</u>      | <u>\$1,469,547</u>        |
| Accumulated Depreciation         |                              |                    |                  |                           |
| Furniture and equipment          |                              |                    |                  |                           |
| (Sewer System)                   | 610,422                      | <u>36,739</u>      | <u>0</u>         | 647,161                   |
|                                  | <u>610,422</u>               | <u>36,739</u>      | <u>0</u>         | <u>647,161</u>            |
| Capital assets, net              | <u>\$859,125</u>             | <u>(\$ 36,739)</u> | <u>\$ 0</u>      | <u>\$ 822,386</u>         |
| Total capital assets, net        | <u>\$ 962,153</u>            | <u>(\$ 48,122)</u> | <u>\$ 0</u>      | <u>\$ 914,031</u>         |

**NOTE 8 - ACCOUNTS, SALARIES, AND OTHER PAYABLES** The payables at June 30, 2004, are as follows:

|                     | <u>General</u>   | <u>Other<br/>Governmental</u> | <u>Enterprise</u> | <u>Total</u>     |
|---------------------|------------------|-------------------------------|-------------------|------------------|
| Accounts Payable    | \$85,512         | \$48,808                      | \$505,820         | \$ 640,140       |
| Payroll Liabilities | <u>146,483</u>   | <u>2,072</u>                  | <u>0</u>          | <u>148,555</u>   |
| Total               | <u>\$231,995</u> | <u>\$50,880</u>               | <u>\$505,820</u>  | <u>\$788,695</u> |

**Town of Richwood**  
**Notes to the Basic Financial Statements**

**NOTE 9 - LONG-TERM LIABILITIES** The following is a summary of the long-term obligation transactions for the year ended June 30, 2004:

|                                | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Deductions</u> | <u>Ending<br/>Balance</u> | <u>Amounts Due<br/>Within<br/>One Year</u> |
|--------------------------------|------------------------------|------------------|-------------------|---------------------------|--|
| Governmental activities        |                              |                  |                   |                           |  |
| Capital leases                 | <u>\$32,097</u>              | <u>\$9,296</u>   | <u>\$ 9,077</u>   | <u>\$32,316</u>           | <u>\$14,275</u>                            |
| Total governmental activities  | <u>\$32,097</u>              | <u>\$9,296</u>   | <u>\$ 9,077</u>   | <u>\$32,316</u>           | <u>\$14,275</u>                            |
| Business-type activities       |                              |                  |                   |                           |  |
| Bonds payable                  | <u>\$256,473</u>             | <u>\$ 0</u>      | <u>\$14,119</u>   | <u>\$242,354</u>          | <u>\$15,069</u>                            |
| Total business-type activities | <u>\$256,473</u>             | <u>\$ 0</u>      | <u>\$14,119</u>   | <u>\$242,354</u>          | <u>\$15,069</u>                            |
| Total long-term liabilities    | <u>\$288,570</u>             | <u>\$9,296</u>   | <u>\$23,196</u>   | <u>\$274,670</u>          | <u>\$29,344</u>                            |

The individual issue is as follows:

| <u>Bond Issue</u>                         | <u>Issue Date</u> | <u>Original Issue</u> | <u>Interest Rate</u> | <u>Final<br/>Payment Due</u> | <u>Interest to<br/>Maturity</u> | <u>Principal<br/>Outstanding</u> |
|---|-------------------|-----------------------|----------------------|------------------------------|---------------------------------|----------------------------------|
| Town of Richwood<br>Sewer Revenue<br>Bond | 08/07/2000        | \$290,000             | 6.40%                | 10/01/2015                   | \$105,522                       | \$242,354                        |

The Town records items under capital leases as an asset and an obligation in the accompanying financial statements. The following is an analysis of capital leases:

| <u>Type</u>              | <u>Lease Date</u> | <u>Amount</u> |
|--------------------------|-------------------|---------------|
| 2001 Ford Crown Victoria | June 18, 2001     | \$23,477      |
| Two Tractors and Mowers  | August 23, 2000   | 59,995        |
| Three Gateway Computers  | January 16, 2001  | 3,891         |
| Copier                   | October 5, 2003   | \$ 9,296      |

The annual requirements to amortize all bonds outstanding at June 30, 2004 are as follows:

| <u>For the year ended June 30,</u> | <u>Principal</u> | <u>Interest</u>  | <u>Total</u>     |
|------------------------------------|------------------|------------------|------------------|
| 2005                               | \$ 15,069        | \$ 15,055        | \$ 30,124        |
| 2006                               | 16,041           | 14,083           | 30,124           |
| 2007                               | 17,098           | 13,026           | 30,124           |
| 2008                               | 18,225           | 11,899           | 30,124           |
| 2009                               | 19,427           | 10,697           | 30,124           |
| 2010-2014                          | 118,113          | 32,507           | 150,620          |
| 2015                               | <u>38,381</u>    | <u>8,256</u>     | <u>46,637</u>    |
| Total                              | <u>\$242,354</u> | <u>\$105,523</u> | <u>\$347,877</u> |

**Town of Richwood**  
**Notes to the Basic Financial Statements**

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of June 30, 2004:

|   | <u>Computers</u> | <u>Vehicle</u>  | <u>Tractor</u>  | <u>Copier</u>   |
|---|------------------|-----------------|-----------------|-----------------|
| Fiscal year:                                |                  |                 |                 |                 |
| 2005  | \$ 2,431         | \$ 5,904        | \$ 4,160        | \$ 3,443        |
| 2006  | 175              | 5,904           | 0               | 3,443           |
| 2007  | 0                | 5,904           | 0               | 2,295           |
| 2008  | 0                | 1,416           | 0               | 0               |
| Less amount representing executory costs    | <u>0</u>         | <u>0</u>        | <u>0</u>        | <u>0</u>        |
| Net minimum lease payments                  | 2,606            | 19,128          | 4,160           | 9,181           |
| Less amounts representing interest          | <u>90</u>        | <u>1,337</u>    | <u>184</u>      | <u>1,148</u>    |
| Present value of net minimum lease payments | <u>\$ 2,516</u>  | <u>\$17,791</u> | <u>\$ 3,976</u> | <u>\$ 8,033</u> |

**NOTE 10 – LITIGATION AND CLAIMS** The Town of Richwood is not involved in litigation at June 30, 2004.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time though the Town expects such amounts, if any, to be immaterial.

The Town has entered into an agreement with the IRS to pay payroll taxes that are owed by the Town. This liability at June 30, 2004 was \$123,633 and is included in the financial statements of the general fund.

**NOTE 11 - RISK MANAGEMENT** The Town is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

**NOTE 12 - LEVIED TAXES** The Town levies taxes on real and business personal property located within the Town's boundaries. Property taxes are levied by the Town on property values assessed by the Ouachita Parish Tax Assessor and approved by the State of Louisiana Tax Commission.

Property Tax Calendar

|                       |                   |
|-----------------------|-------------------|
| Millage rates adopted | August 21, 2003   |
| Levy date             | November 4, 2003  |
| Tax bills mailed      | November 23, 2003 |
| Due date              | December 31, 2003 |
| Lien date             | January 1, 2004   |

Assessed values are established by the Ouachita Parish Tax Assessor each year on a uniform basis at the following ratios of assessed value to fair market value.

|                              |   |
|------------------------------|---|
| 10% land                     | 15% machinery                                 |
| 10% residential improvements | 15% commercial improvements                   |
| 15% industrial improvements  | 25% public service properties, excluding land |

A revaluation of all property is required after 1978 to be completed no less than every four years. The last revaluation was completed for the roll of January 1, 2000. Total taxable value was \$3,172,494 in calendar year 2003.

**Town of Richwood**  
**Notes to the Basic Financial Statements**

State law requires the Town to collect property taxes in the calendar year in which the assessment is made. Property taxes become delinquent January 1 of the following year. If taxes are not paid by the due date, taxes bear interest at the rate of 1.00% per month until the taxes are paid.

The calendar-year tax roll is prepared by the tax assessor and approved by the State Tax Commission in November of each year. The amount of property taxes to be collected occurs in December, and January and February 2004. All property taxes are recorded in the general fund. The Town considers the date penalty and interest accrues (January 1, 2004) as the date an enforceable legal claim occurs for property taxes. Property tax revenue is recognized in the period for which the taxes are levied (budgeted). Accordingly, the property taxes for calendar year 2003 are budgeted in the 2003-2004 fiscal year of the Town.

Estimated uncollectible taxes are those taxes based on past experience which will not be collected in the subsequent year and are primarily due to subsequent adjustments to the tax roll. Historically, virtually all ad valorem taxes receivable were collected since they are secured by property. Therefore, there is no allowance for uncollectible taxes.

**Town of Richwood  
Special Revenue Funds**

**Share Grant** – The Share Grant Program accounts for funds received through the Louisiana Housing Finance Agency which provides aid to low income families to bring residents houses up to housing quality standard (HQS).

**Summer Food** – The Summer Food Program accounts for the operations of providing breakfast and lunch to lower income children during the summer months. Financing is provided by a federal grant.

**Maintenance** – The Maintenance Fund accounts for repairs and maintenance of tractors, police cars and equipment.

**LCDBG** – The LCDBG Fund is designed to assist and improve housing conditions for citizens of Richwood who would otherwise be financially unable to secure their own sources of funding to remodel or build a new house. The program also assists in the effort of the Town of Richwood to stabilize and revitalize the area. Financing is provided by a grant from the United States Department of Housing and Urban Development through the Louisiana Division of Administration.

**Project RAP** – This is a TANF Program for teen pregnancy prevention.



**TOWN OF RICHWOOD**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**Combining Balance Sheet**  
**June 30, 2004**

**Schedule 1**

|  | SHARE<br>GRANT   | SUMMER<br>FOOD   | MAINTENANCE     | LCDBG           | PROJECT<br>RAP   | TOTALS           |
|--|------------------|------------------|-----------------|-----------------|------------------|------------------|
| <b>ASSETS AND OTHER DEBITS</b>           |                  |                  |                 |                 |                  |                  |
| <b>Assets:</b>                           |                  |                  |                 |                 |                  |                  |
| Cash and cash equivalents                | \$ 455           | \$ 13,537        | \$ 2,170        | \$ 733          | \$ 188           | \$ 17,083        |
| Receivables                              | 0                | 2,420            | 0               | 0               | 25,466           | 27,886           |
| Interfund receivables                    | 10,000           | 0                | 0               | 500             | 0                | 10,500           |
| <b>TOTAL ASSETS AND OTHER DEBITS</b>     | <b>10,455</b>    | <b>15,957</b>    | <b>2,170</b>    | <b>1,233</b>    | <b>25,654</b>    | <b>55,469</b>    |
| <b>LIABILITIES AND FUND EQUITY</b>       |                  |                  |                 |                 |                  |                  |
| <b>Liabilities:</b>                      |                  |                  |                 |                 |                  |                  |
| Accounts payable                         | 4,126            | 37,019           | 0               | 0               | 7,663            | 48,808           |
| Accrued liabilities                      | 0                | 743              | 1,325           | 0               | 4                | 2,072            |
| Interfund payables                       | 0                | 18,359           | 0               | 2,999           | 0                | 21,358           |
| <b>Total liabilities</b>                 | <b>4,126</b>     | <b>56,121</b>    | <b>1,325</b>    | <b>2,999</b>    | <b>7,667</b>     | <b>72,238</b>    |
| <b>Fund Equity:</b>                      |                  |                  |                 |                 |                  |                  |
| Fund Balance -                           |                  |                  |                 |                 |                  |                  |
| Unreserved and undesignated              | 6,329            | (40,164)         | 845             | (1,766)         | 17,987           | (16,769)         |
| <b>Total Fund Equity</b>                 | <b>6,329</b>     | <b>(40,164)</b>  | <b>845</b>      | <b>(1,766)</b>  | <b>17,987</b>    | <b>(16,769)</b>  |
| <b>TOTAL LIABILITIES AND FUND EQUITY</b> | <b>\$ 10,455</b> | <b>\$ 15,957</b> | <b>\$ 2,170</b> | <b>\$ 1,233</b> | <b>\$ 25,654</b> | <b>\$ 55,469</b> |

**TOWN OF RICHWOOD**

**NONMAJOR SPECIAL REVENUE FUNDS  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
For the Year Ended June 30, 2004**

Schedule 2

|   | <u>SHARE</u> | <u>SUMMER</u> |                    |              | <u>PROJECT</u> |               |
|---|--------------|---------------|--------------------|--------------|----------------|---------------|
|   | <u>GRANT</u> | <u>FOOD</u>   | <u>MAINTENANCE</u> | <u>LCDBG</u> | <u>RAP</u>     | <u>TOTALS</u> |
| <b>REVENUES</b>   |              |               |                    |              |                |               |
| Local sources:  |              |               |                    |              |                |               |
| Intergovernmental revenues  | \$ 0         | \$ 61,758     | \$ 24,579          | \$ 13,145    | \$ 99,777      | \$ 199,259    |
| Other   | 0            | 0             | 17,074             | 0            | 0              | 17,074        |
| Total revenues  | 0            | 61,758        | 41,653             | 13,145       | 99,777         | 216,333       |
| <b>EXPENDITURES</b>   |              |               |                    |              |                |               |
| Current:  |              |               |                    |              |                |               |
| General and administrative  | 0            | 0             | 19,953             | 10,365       | 81,790         | 112,108       |
| Health and welfare  | 100          | 78,279        | 0                  | 0            | 0              | 78,379        |
| Debt service:   |              |               |                    |              |                |               |
| Principal retirement  | 0            | 0             | 2,155              | 0            | 0              | 2,155         |
| Interest and bank charges   | 0            | 0             | 124                | 0            | 0              | 124           |
| Total expenditures  | 100          | 78,279        | 22,232             | 10,365       | 81,790         | 192,766       |
| <b>EXCESS (Deficiency) OF<br/>REVENUES OVER<br/>EXPENDITURES</b>                                  | (100)        | (16,521)      | 19,421             | 2,780        | 17,987         | 23,567        |
| <b>OTHER FINANCING SOURCES (USES)</b>   |              |               |                    |              |                |               |
| Transfers in  | 0            | 0             | 800                | 0            | 0              | 800           |
| Transfers out   | 0            | 0             | (16,197)           | 0            | 0              | (16,197)      |
| <b>TOTAL OTHER FINANCING<br/>SOURCES (USES)</b>   | 0            | 0             | (15,397)           | 0            | 0              | (15,397)      |
| <b>EXCESS (Deficiency) OF REVENUES<br/>AND OTHER SOURCES OVER<br/>EXPENDITURES AND OTHER USES</b> | (100)        | (16,521)      | 4,024              | 2,780        | 17,987         | 8,170         |
| <b>FUND BALANCES (Deficit)</b>  |              |               |                    |              |                |               |
| - BEGINNING   | 6,429        | (23,643)      | (3,179)            | (4,546)      | 0              | (24,939)      |
| <b>FUND BALANCES (Deficit)</b>  |              |               |                    |              |                |               |
| - ENDING  | \$ 6,329     | \$ (40,164)   | \$ 845             | \$ (1,766)   | \$ 17,987      | \$ (16,769)   |

**Town of Richwood**

**Schedule of Compensation Paid Mayor and Aldermen  
For the Year Ended June 30, 2004**

The schedule of compensation paid to the Mayor and Aldermen was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. As authorized by Town ordinance, aldermen were paid \$225 per month.

|                                    |                  |
|------------------------------------|------------------|
| Edward L. Harris, Mayor            | \$ 34,000        |
| Steve B. Hunter, Mayor Pro-Temp    | 3,331            |
| Simeon Profit, Street Commissioner | 3,000            |
| Lavern Hester, Alderman            | 2,700            |
| Alvin Jackson, Alderman            | 2,700            |
| Les Kelly, Alderman                | <u>2,700</u>     |
| TOTAL                              | <u>\$ 48,400</u> |

## **Town of Richwood**

### **OTHER REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS**

The first report following this page is a report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards, issued by the Comptroller General of the United States of America. The section of the report on compliance is based solely on the audit of the financial statements and presents, where applicable, compliance matters that would be material to the financial statements. The section of the report on internal control over financial reporting is, likewise, based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses.



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1963 - 2000

### **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**

Honorable Edward L. Harris, Mayor  
and Members of the Board of Aldermen  
Town of Richwood  
Richwood, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Richwood, (the Town) as of and for the year ended June 30, 2004, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the Town's ability to record, process, summarize and report financial data consistent with the assertions of management in the basic financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 04-F1, 04-F2, 04-F3 and 04-F4.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

### Compliance

As part of obtaining reasonable assurance about whether the Town's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in accompanying Schedule of Findings and Questioned Costs as item 04-F5.

This report is intended solely for the information and use of the Aldermen, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Allen, Green & Williamson, LLP*

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana

January 21, 2005

**Town of Richwood  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2004**

**Reference # and title:**      **04-F1**      **Inadequate Documentation for Some Expenses**

**Criteria or specific requirement:** Expenses should be documented with original invoices or other documentation to provide support for the expenses. Effective internal control should provide for documentation of approval of the invoice for payment.

Expenses for travel should include receipts for all expenses incurred to provide support for the expenses. Only expenses related to travel should be paid out of the travel expense account.

**Condition found:** The following was noted from a test of 25 vendor disbursements:

Eleven invoices were not paid timely.

Three checks were for amounts that differed from the invoice amount.

Three invoices were not marked as being paid to cancel the documentation.

Original invoices were not provided for four disbursements. Three of these invoices were faxes instead of the original invoice and an invoice was not provided for one disbursement.

Sales tax was paid on one invoice.

One invoice was not supported by a purchase order.

The following was noted from a test of 10 travel disbursements:

Four invoices did not have receipts to verify the hotel expenses.

One check paid for a charge that was not related to travel expense.

**Possible asserted effect (cause and effect):**

**Cause:** Unknown.

**Effect:** Some payments are being made without proper documentation. Also, payments not related to travel expense are being paid through the travel expense account.

**Recommendations to prevent future occurrences:** All invoices should be paid timely. Original documentation should be obtained and kept on file for all disbursements. Only amounts for employee travel should be paid through the travel expense account.

**Town of Richwood  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2004**

**Reference # and title:**            **04-F2**                    **Payroll Expenses and Contract Labor**

**Entity-wide or program/department specific:** This finding is specific to payroll.

**Criteria or specific requirement:** All employees should have an I-9 in their personnel file. All personnel files should have documentation showing the employee's rate of pay. All time records should be signed by both the employee and the employee's supervisor.

All payments to employees should be processed through the payroll process.

**Condition found:** The following was noted from a test of 34 payroll disbursements:

- Two time sheets were not signed by the employee.
- Five personnel files did not have documentation of the employee's rate of pay.
- Seven personnel files did not have I-9s in them.
- Three time sheets were not signed by the employees supervisor.

Summer food service workers were paid as contract laborers, rather than as employees, which is not in compliance with the Internal Revenue Code concerning employee status.

**Possible asserted effect (cause and effect):**

**Cause:** Unknown.

**Effect:** Some personnel files do not contain the proper documentation in them. Also employee's time records are not being recorded properly.

Summer food service workers were paid as contract laborers.

**Recommendations to prevent future occurrences:** All employees should have an I-9 in their personnel file and their personnel file should have documentation as to the employee's rate of pay. Also, all employee time records should be signed by both the employee and the employee's supervisor.

The Town should process all payments to employees through the payroll process.

**Reference # and title:**            **04-F3**                    **Late Submission of the Audit Report**

**Criteria or specific requirement:** In accordance with LSA-R.S. 24:513A(5)(a) "Audits shall be completed within six months of the close of the entity's fiscal year."

**Condition found:** The audit report was filed with the Legislative Auditor's office one month after the deadline.

**Possible asserted effect (cause and effect):**

**Cause:** The delay has been caused by the apparent lack of communication on AG&W's part with the Town's staff in the posting of prior year year-end adjustments. The prior year-end adjustments impacting the fiscal year



**Town of Richwood  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2004**

2002-2003 operating statements were posted in the fiscal year 2003-2004 to the operating statement accounts rather than to the fund balance. Considering the number of adjustments and funds; it has taken time to unravel this mishap.

**Effect:** The audit report was not filed timely.

**Recommendations to prevent future occurrences:** Audit adjustments affecting income statements accounts which are posted to the books after closing of the fiscal year should be posted to the equity accounts instead of current year income and expense.

**Reference # and title:**                      **04-F4**                      **Louisiana Local Government and Budget Act**

**Entity-wide or program/department specific:** This finding is entity-wide.

**Criteria or specific requirement:** LSA-R.S.39:1311 requires the chief executive or administrative officer to advise the governing authority or independently elected official in writing when total expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more and, when total revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more.

**Condition found:** The Town's budgeted revenues exceeded actual revenues by more than five percent in the general fund. The Town did not adopt a budget for any special revenue funds.

**Possible asserted effect (cause and effect):**

**Cause:** Unknown

**Effect:** The Town is in violation of LSA-R.S.39:1311.

**Recommendations to prevent future occurrences:** The Town should monitor revenues and amend budgets as needed. The Town should adopt a budget for special revenue funds.

**Reference # and title:**                      **04-F5**                      **Required Payments to Crime-Stoppers of Ouachita, Inc.**

**Criteria or specific requirement:** Act 50 passed in the regular session of the 2002 Louisiana Legislature, requires any district, parish, city or mayor's court to assess an additional cost of court in the amount of \$2.00 to any defendant convicted of any criminal offense or any traffic offense. Further, the Act requires the proceeds of this additional cost of court to be paid monthly to the local crime stoppers organization, in this instance Crime-Stoppers of Ouachita, Inc. to be used to pay rewards to individuals who provide information on criminal activity to the crime stoppers organization.

**Condition found:** It appears the additional \$2.00 cost of court fee was not assessed until after the fiscal year end.

**Possible asserted effect (cause and effect):**

**Town of Richwood  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2004**

**Cause:** Unknown

**Effect:** The Town is not in compliance with Act 50.

**Recommendations to prevent future occurrences:** The additional \$2.00 fee should be assessed as required by law and should be remitted monthly to the Crime-Stoppers of Ouachita, Inc.

## **Town of Richwood**

### **Other Information**

The information in the following section concerns management's actions or intentions concerning prior- and current-year audit findings. This information has been prepared by the management of the Town of Richwood. Management accepts full responsibility for the accuracy of the information. This information has not been audited by the auditors and accordingly, no opinion is expressed.

**Town of Richwood  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2004**

**Reference # and title:**     **03-F1**     **Undocumented Vendor Expenses**

**Initially occurred:** June 30, 2003

**Condition found:** Expenses should be documented with original invoices or other documentation to provide support for the expenses. Effective internal control should provide for documentation of approval of the invoice for payment.

The following was noted from a test of 34 vendor disbursements:

One check had only one signature when two were required.  
Approval for payment was not documented on three invoices.  
Original invoices were not provided for three disbursements.  
Twelve invoices were not paid timely.

**Corrective action planned:** See current year finding 04-F1.

**Reference # and title:**     **03-F2**     **Louisiana Local Government Budget Act**

**Initially occurred:** June 30, 2003.

**Condition found:** LSA-R.S. 39:1306 required a political subdivision with total proposed expenditures of two hundred fifty thousand dollars or more from the general fund to afford the public an opportunity to participate in the budgetary process prior to adoption of the budget. The political subdivision is to publish a notice in the official journal stating that the proposed budget is available for inspection along with the date, time and place of the public hearing. The notice must be published at least ten days prior to the date of the first public hearing.

LSA-R.S. 39:1311 requires the chief executive or administrative officer to advise the governing authority or independently elected official in writing when total expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more and, when total revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more.

The Town published the notice of public hearing only eight days prior to the meeting. The Town's budgeted revenues exceeded actual revenues by more than five percent in the general fund and sewer enterprise fund. The Town did not adopt a budget for any special revenue funds.

**Corrective action taken:** See current year finding 04-F4.

**Town of Richwood  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2004**

**Reference # and title:**     **03-F3**     **Independent Contractor Versus Employee**

**Initially occurred:** June 30, 2002.

**Condition found:** All payments to employees should be processed through the payroll process. Summer food service workers were paid as contract laborers, rather than as employees, which is not in compliance with the Internal Revenue Code concerning employee status.

**Corrective action taken:** See current year finding 04-F2.

**Town of Richwood  
Corrective Action Plan for Current-Year Findings and Questioned Costs  
For the Year Ended June 30, 2004**

**Reference # and title:**      **04-F1**      **Inadequate Documentation for some Expenses**

**Condition found:** The following was noted from a test of 25 vendor disbursements:

Eleven invoices were not paid timely.  
Three checks were for amounts that differed from the invoice amount.  
Three invoices were not marked as being paid to cancel the documentation.  
Original invoices were not provided for four disbursements. Three of these invoices were faxes instead of the original invoice and an invoice was not provided for one disbursement.  
Sales tax was paid on one invoice.  
One invoice was not supported by a purchase order.

The following was noted from a test of 10 travel disbursements:

Four invoices did not have records to verify the hotel expenses.  
One check paid for a charge that was not related to travel expense.

**Corrective action planned:** The Town will make timely payments. In addition, the Town will require all personnel to submit proper original documentation for purchases, which will be filed. Disbursements, including funds paid for employee travel, will be paid in accordance to town policy. Documentation of these transactions will be properly maintained.

**Person responsible for corrective action:**

|                        |                       |
|------------------------|-----------------------|
| Mayor Edward L. Harris | Phone: (318) 322-2104 |
| Town of Richwood       | Fax: (318) 323-3254   |
| 5130 Brown Road        |                       |
| Richwood, LA 71254     |                       |

**Anticipated completion date:** Immediately

**Reference # and title:**      **04-F2**      **Payroll Expenses & Contract Labor**

**Condition found:** The following was noted from a testing of 34 payroll disbursements:

Two time sheets were not signed by the employee.  
Five personnel files did not have documentation of the employee's rate of pay.  
Seven personnel files did not have I-9s in them.  
Three time sheets were not signed by the employee's supervisor.

Summer food service workers were paid as contract laborers, rather than as employees, which is not in compliance with the Internal Revenue Code concerning employee status.

**Town of Richwood**  
**Corrective Action Plan for Current-Year Findings and Questioned Costs**  
**For the Year Ended June 30, 2004**

**Corrective action planned:** I-9s and rate of pay per employees are submitted at the time of hire by the respective department head/supervisor and are kept on file. Time sheets are submitted, with the approval of the supervisor, before employees can receive payment. Files, which include employees once considered contract labor, have been corrected with proper documentation kept on file.

**Person responsible for corrective action:**

|                        |                       |
|------------------------|-----------------------|
| Mayor Edward L. Harris | Phone: (318) 322-2104 |
| Town of Richwood       | Fax: (318) 323-3254   |
| 5130 Brown Road        |                       |
| Richwood, LA 71254     |                       |

**Anticipated completion date:** Immediately

**Reference # and title:**                      **04-F3**                      **Late Submission of the Audit Report**

**Condition found:** The delay has been caused by the apparent lack of communication on AG&W's part with the Town's staff in the posting of prior year year-end adjustments. The prior year-end adjustments impacting the fiscal year 2002-2003 operating statements were posted in the fiscal year 2003-2004 to the operating statement accounts rather than to the fund balance. Considering the number of adjustments and funds; it has taken time to unravel this mishap.

**Corrective action planned:** The Town has and will continue to make every effort possible to assist auditors with timely submission of its audit. The Town will ensure that accounts are properly posted in order to lessen audit confusion.

**Person responsible for corrective action:**

|                        |                       |
|------------------------|-----------------------|
| Mayor Edward L. Harris | Phone: (318) 322-2104 |
| Town of Richwood       | Fax: (318) 323-3254   |
| 5130 Brown Road        |                       |
| Richwood, LA 71254     |                       |

**Anticipated completion date:** Immediately

**Town of Richwood  
Corrective Action Plan for Current-Year Findings and Questioned Costs  
For the Year Ended June 30, 2004**

**Reference # and title:**            **04-F4**                    **Louisiana Local Government and Budget Act**

**Condition found:** The Town's budgeted revenues exceeded actual revenues by more than five percent in the general fund. The Town did not adopt a budget for any special revenue funds.

**Corrective action planned:** Financial reports are submitted to Town's Executive/Legislative body monthly. Executive/Legislative body will, at recommendation of Fiscal Officer, review and make amendments to budget as needed. A report of these findings will be kept on file.

**Person responsible for corrective action:**

Mayor Edward L. Harris                    Phone: (318) 322-2104  
Town of Richwood                            Fax: (318) 323-3254  
5130 Brown Road  
Richwood, LA 71254

**Anticipated completion date:** Immediately

**Reference # and title:**            **04-F5**                    **Required Payments to Crime-Stoppers of Ouachita, Inc.**

**Condition found:** Act 50 passed in the regular session of the 2002 Louisiana Legislature, requires any district, parish, city or mayor's court to assess an additional cost of court in the amount of \$2.00 to any defendant convicted of any criminal offense or any traffic offense. Further, the Act requires the proceeds of this additional cost of court to be paid monthly to the local crime stoppers organization, in this instance Crime-Stoppers of Ouachita, Inc. to be used to pay rewards to individuals who provide information on criminal activity to the crime stoppers organization. It appears the additional \$2.00 cost of court fee was not assessed until after the fiscal year end.

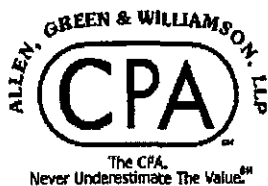
**Corrective action planned:** A fee of \$2.00 of court cost collected is allocated to Crime-Stoppers of Ouachita, Inc. Payments of these fees ceased when police patrols were temporarily suspended and no new citations issued. The Town will reinstate payments to this agency as required.

**Person responsible for corrective action:**

Mayor Edward L. Harris                    Phone: (318) 322-2104  
Town of Richwood                            Fax: (318) 323-3254  
5130 Brown Road  
Richwood, LA 71254

**Anticipated completion date:** Immediately





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(Retired)  
1963 - 2000

## Management Letter

Honorable Edward L. Harris, Mayor and Members  
Of the Board of Aldermen  
Town of Richwood  
Richwood, Louisiana

In planning and performing our audit of the basic financial statements of the Town of Richwood, Richwood, Louisiana for the year ended June 30, 2004, we considered the Town's internal control to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we noted certain matters involving internal control and other operation matters that are presented for your consideration. This letter does not affect our report dated January 21, 2005, on the financial statements of the Town. We will review the status of these comments during our next audit engagement. Our comments and recommendation which have been discussed with management are intended to improve internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Management's responses have also been included. We have performed no audit work to verify the content of the responses.

### 04-M1 Listing of Dispositions

**Comment:** The Town provided a listing of dispositions from capital assets but the listing did not include the date and purpose of the dispositions.

**Recommendation:** The Town needs to maintain a complete listing of dispositions which includes the date of disposition and the purpose of the disposition.

**Management's response:** The Town has conducted its physical inventory and is currently maintaining records that comply with the dates of purchase, disposition and reasons for disposition.

\* \* \* \* \*

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not reveal all weaknesses in policies and procedures that may exist.

This report is intended solely for the information and use of the Council members, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Allen, Green & Williamson, LLP*

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana  
January 21, 2005

**Town of Richwood  
Status of Prior Management Letter Items  
June 30, 2004**

**03-M1 Financial Condition**

**Comment:** The Town continues to experience a challenge regarding its financial operations. The two primary operating funds of the Town are the General Fund and the Enterprise (Sewer) Fund. The following chart depicts the net operating results for the past four years as reflected in the annual audited financial reports:

|                                 | General Fund | Enterprise<br>(Sewer) Fund | Total        |
|---------------------------------|--------------|----------------------------|--------------|
| Net Excess or (Deficiency)      |              |                            |              |
| Fiscal year ended June 30, 2000 | \$ (38,421)  | \$ (33,565)                | \$ (71,986)  |
| Fiscal year ended June 30, 2001 | (101,088)    | (120,481)                  | (221,569)    |
| Fiscal year ended June 30, 2002 | (174,645)    | (76,926)                   | (251,571)    |
| Fiscal year ended June 30, 2003 | \$ 2,022     | \$ (127,666)               | \$ (125,644) |

These results reflect an unfavorable trend that has resulted in substantial accumulated deficits. As the Town is aware this is causing constant monitoring of the cash flow and requiring negotiated delays and installment payment with some vendors.

**Corrective action taken:** Management reviewed revenue streams and reduced expenditures. For the fiscal year ended June 30, 2004 the general fund reflects an excess of \$88,454 for the year and the sewer enterprise fund reflects a deficiency of \$19,507.

**03-M2 Fixed Asset Listing**

**Comment:** The Town provided a listing of assets, but the listing did not include the date of purchase of the assets and date and purpose of the dispositions.

**Partial Corrective action taken:** The Town updated the fixed asset listing by including the date of purchase for fixed assets. However, the Town did not give dates or purposes for the dispositions from fixed assets. See Management Letter Item No. 04-M1.